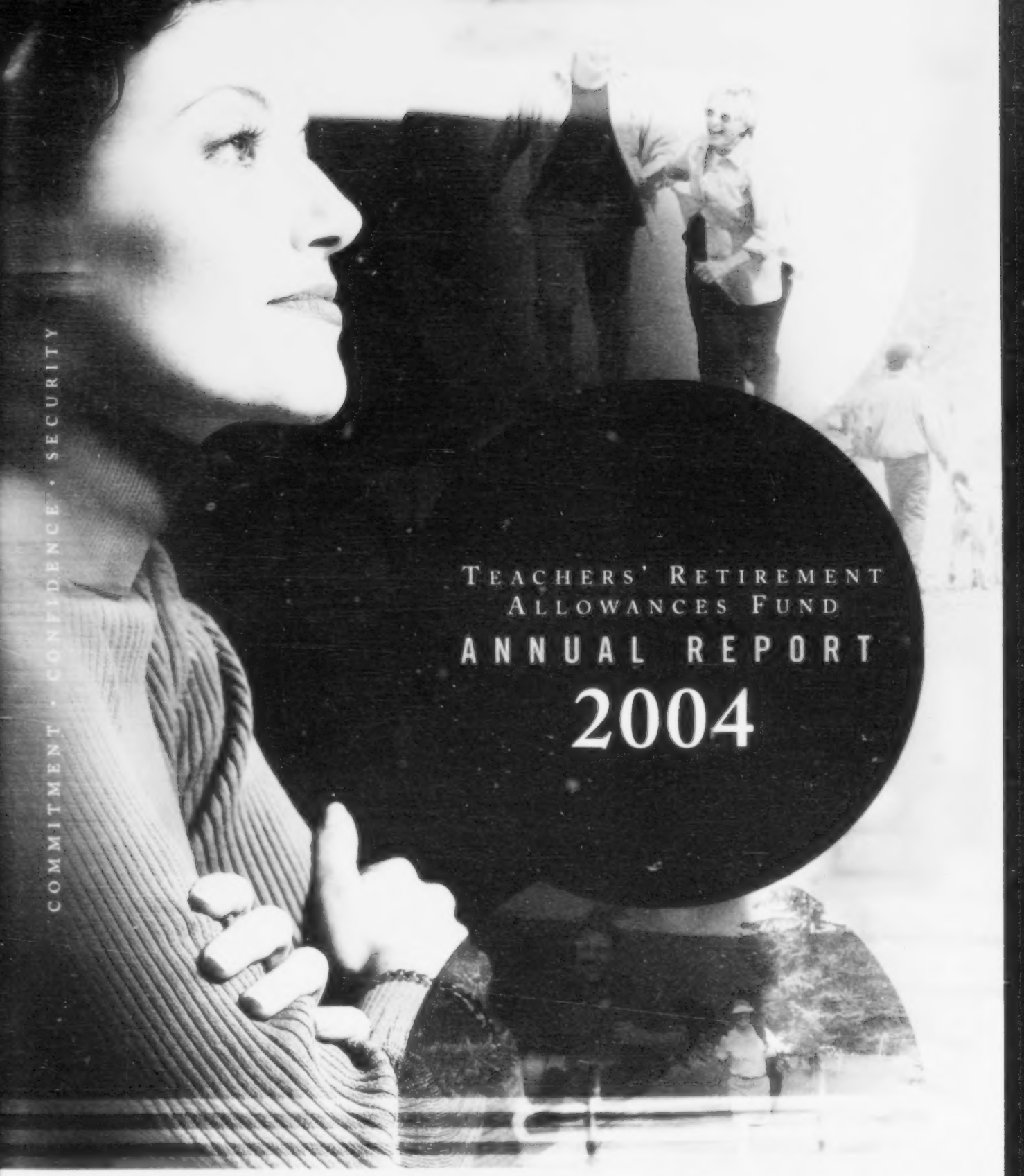


TEACHERS' RETIREMENT ALLOWANCES FUND

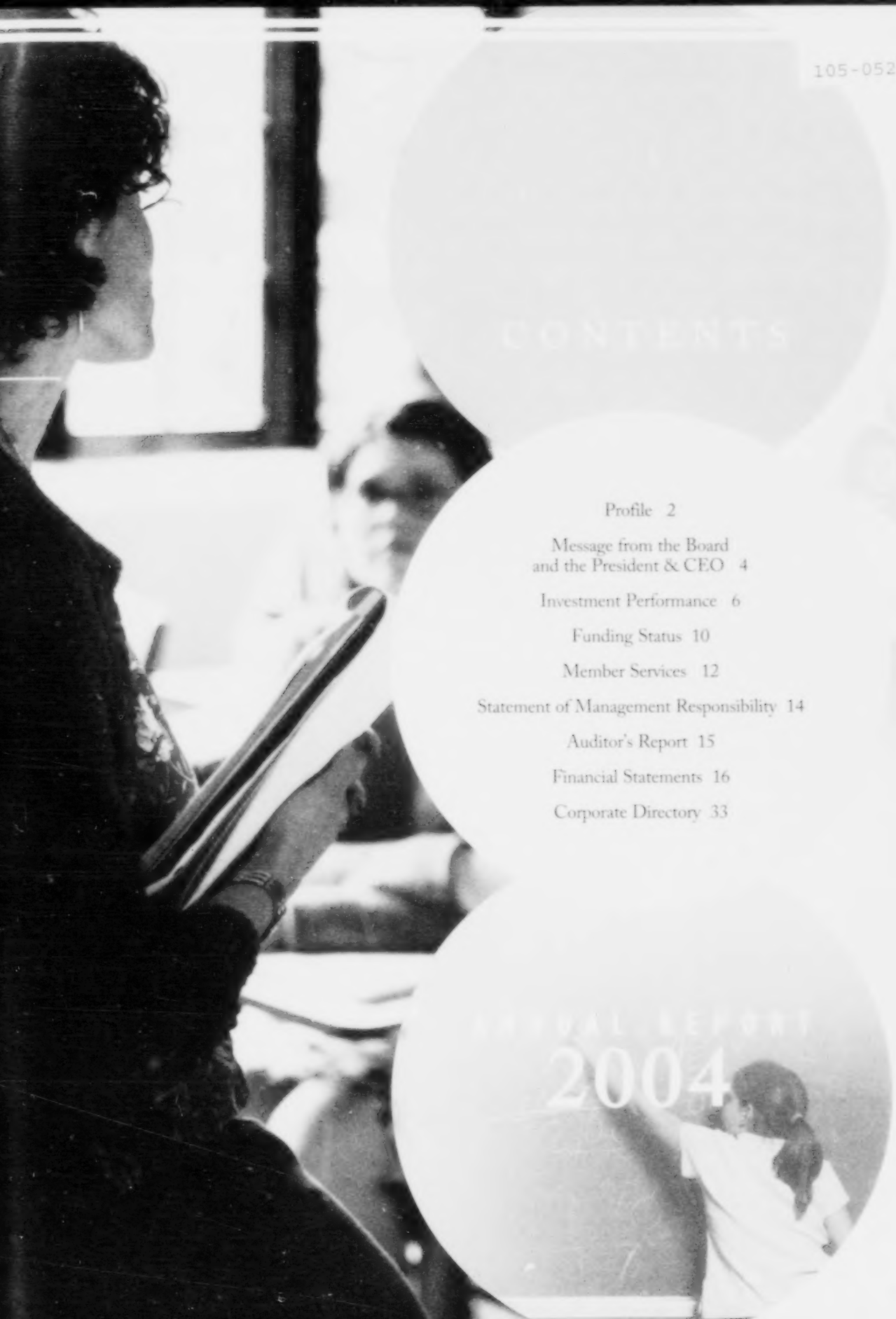
ANNUAL REPORT

2004

MISSION

WE COMMIT OURSELVES TO ADMINISTER THE TEACHERS' PENSION PLAN IN A RESPONSIBLE AND CARING MANNER TO ENSURE A SECURE PENSION FUND THAT WILL PROVIDE OUR MEMBERS THE BENEFITS THEY HAVE BEEN PROMISED AND THE INFORMATION NEEDED TO MAKE EDUCATED RETIREMENT DECISIONS.

105-05254/



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ANNUAL REPORT

2004

PROFILE

THE MANITOBA GOVERNMENT CREATED THE TEACHERS' RETIREMENT ALLOWANCES FUND (TRAF) AFTER A LONG-FOUGHT CAMPAIGN HEADED BY TEACHERS TO HAVE THEIR OWN PENSION PLAN. NOW, WITH JUST UNDER 9,600 RETIREES AND OVER 15,000 ACTIVE MEMBERS IN OUR PLAN, RETIREMENT SECURITY IS AS VITAL AS EVER.

THE BOARD OF DIRECTORS

The TRAF Board administers The Teachers' Pensions Act and acts as trustee of the Fund. The Board employs the CEO and staff to fulfill its responsibilities under the Act.

The Board of Directors is made up of representatives from The Manitoba Teachers' Society and the general public. Its members are appointed by the Lieutenant Governor in Council. At the end of their two-year terms they are either reappointed or a successor is found.

The role of the Board is to administer the Act and to ensure that beneficiaries of the plan are treated appropriately. The Board strives to improve the operations and to conduct its responsibilities in the most efficient and effective way possible.

INVESTMENT COMMITTEE

The Investment Committee directs the Fund's investment activities and is comprised of the Chair of the Board, a member of the Board representing teachers and the Deputy Minister of Finance. Since 1999 the entire Board has been invited to attend meetings of the Investment Committee and participate in discussions, though decision making remains the responsibility of the statutory members of the committee.

AUDIT COMMITTEE

The Audit Committee assists the Board in fulfilling its responsibilities with respect to the financial reporting process. Currently, the Audit Committee is comprised of two Board members, plus one external accounting professional.

THE FUND

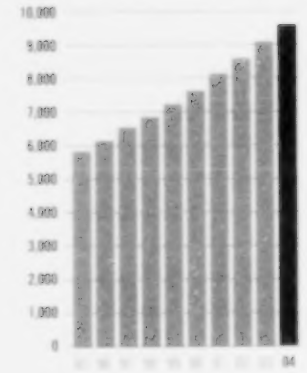
TRAF manages the employee portion of a defined benefit pension plan for Manitoba's public school teachers. The employer portion of teachers' pensions is not funded, but is paid by the Province of Manitoba as members retire.

As of December 31st 2004, TRAF managed over $2.3 billion in assets on behalf of its membership. After taking account of liabilities, net assets available for benefits are just under $2.2 billion.

BOARD OF DIRECTORS: (L to R)
PAT ISAAK – ACTING CHAIR, HENRY SHYKA,
GLEN ANDERSON, TERRY CLIFFORD, RAYMOND DESROCHERS

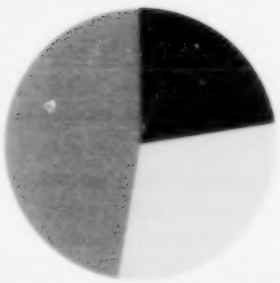
NUMBER OF PENSIONS IN PAY

December 31, 2004



MEMBERSHIP PROFILE

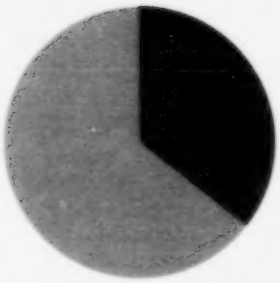
December 31, 2004



Deferred Members	7,185
Retired Teachers	9,575
Active Teachers	15,025

ASSET MIX

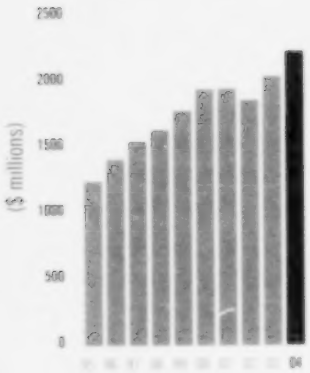
December 31, 2004



Fixed Income Investments	35.6%
Equity Investments	64.4%

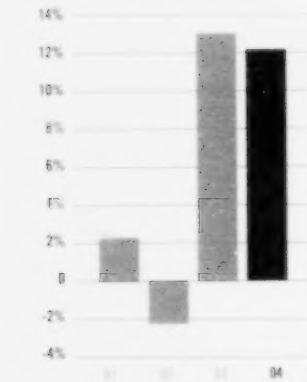
NET ASSETS AVAILABLE FOR BENEFITS

December 31, 2004



INVESTMENT RETURN

December 31, 2004



The four-year average is 6.1%

INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS

($ millions)		2004	2003
Net assets available for benefits, start of year		$ 2,010	$ 1,834
Add:	Teacher contributions	52	51
	Province's share of pensions	106	102
	Investment return	234	229
	Other contributions	2	2
Deduct:	Pension payments	(197)	(183)
	Other payments	(15)	(22)
	Administration	(3)	(3)
Net assets available for benefits, end of year		$ 2,189	$ 2,010

INVESTMENT RETURN (%)

	2004	2003
Annual	12.1	13.0
Composite benchmark	10.3	14.2
Four-year average	6.1	5.9
Four-year benchmark	4.3	3.7

MESSAGE FROM THE BOARD AND THE PRESIDENT & CEO

WE ARE PLEASED TO PROVIDE YOU WITH THIS REPORT IN RESPECT OF TRAF's 2004 ACTIVITIES AND RESULTS, AND TO MAKE SOME COMMENTS AS WE MOVE FORWARD IN 2005.

Before getting into the details however, we would like to expressly acknowledge the ongoing commitment and effort of our staff. Despite the various challenges that TRAF and its members continually face, our team routinely demonstrates high levels of enthusiasm and professionalism. While our expectations are high they are being met.

In particular, we would like to thank Dewar McKinnon who served as Acting President & CEO of TRAF for most of 2004 and early 2005. Dewar's ongoing contributions to the organization are invaluable.

Now, here are some of the noteworthy items from 2004:

LEGISLATIVE AND BOARD CHANGES

In June of 2004, certain changes to The Teachers' Pensions Act received Royal Assent and became law. Given the impact of these changes to your pension plan, we have highlighted them in the Member Services section of this report.

In addition to these changes, the new legislation altered the composition of the Board of Directors of TRAF. The Board is now comprised of four public members appointed by the Government of Manitoba and three members appointed from a list of nominees provided by The Manitoba Teachers' Society. As a consequence of this amendment, 2004 saw the departure of Mr. Bruce Chegus and Ms. Ramona Gallos as members of the Board. Bruce, a lawyer and school trustee, had been with the Board for eight years, and had a very thorough understanding of TRAF operations. Ramona, also a school trustee, was a member of the Board for just over a year. We thank each of Bruce and Ramona for their meaningful contributions to TRAF.

In early 2005, we welcomed two new members – Mr. Raymond Desrochers and Mr. Terry Clifford – and look forward to working with them in the future. Each brings a unique skill set and perspective to the Board – Ray is a Chartered Accountant with the Winnipeg office of BDO Dunwoody, while Terry is a retired public school teacher, and former President of both The Manitoba Teachers' Society and the Retired Teachers' Association of Manitoba.

More recently two public members of the TRAF Board, Alfred Black and Lea Baturin, also left the TRAF Board. Alfred served as Chair of the Board since October 2001, and brought a high level of commitment and focus to this position. Lea's legal background made her a valuable resource and contributor to the Board since her appointment in December 2003. The contributions of both Alfred and Lea are also greatly appreciated.

CORPORATE GOVERNANCE

TRAF strives to ensure that its corporate governance structure is both strong and effective. While this is an ongoing process and industry standards continue to evolve, we are pleased to report that 2004 saw the establishment of

PAT ISAAK, ACTING CHAIR

JEFF NORTON, PRESIDENT & CEO

an Audit Committee to oversee the financial reporting process, including the annual audit of TRAF's financial statements. This committee is comprised of two TRAF Board members and one external member. The present external member is Mr. David Asselstine, a Chartered Accountant, and we thank him for accepting this important role for our organization.

INVESTMENT PERFORMANCE

TRAF's investment portfolio performed well in 2004, earning slightly in excess of a 12% rate of return. This exceeded our benchmark return and, perhaps more importantly, placed us in the top quartile when measured against our peers. While additional details of the portfolio's performance are set out in the Investment Performance section of this report, we offer the following general observations.

While most people tend to look primarily at the investment return to gauge success or failure, investment professionals will also look at the related risk measures to determine success. That is, 12% may not be an acceptable return if the portfolio had excessive risk and we merely "got lucky" in 2004. However, we are pleased to report that the TRAF portfolio is well constructed and diversified, utilizing many different asset classes, geographic regions, investment styles and individual managers. While we cannot control the markets, and even the best investment managers cannot consistently predict market behavior, we believe that the TRAF portfolio entrusted to us is positioned to perform relatively well under any future scenario.

In spite of this comfort, the portfolio management process is ongoing and the Board and Investment Committee will continue to work hard in 2005 and beyond to make appropriate modifications or adjustments.

FINANCIAL POSITION

In September 2004, we received the results of our actuarial valuation showing TRAF's financial position as at January 1, 2004. As expected, the report shows a deficit in Account A (the teachers' account) due to poor general investment performance in 2001 and 2002, and the fact that current teacher contribution rates are not sufficient to support the related benefits. While a pension plan's structure is a long-term commitment and funding status may fluctuate over time, the general view is that the current deficit will not be eliminated unless structural changes are made to the pension plan. Specifically, it is not considered possible or prudent that the investment portfolio be reconfigured (ie. to take on more risk) in an effort to generate an increased long-term return to cover the anticipated deficit.

The actuary has advised the only effective action that can be taken to support promised benefits is to increase contributions. This, however, is not something that TRAF, as administrator of the plan, can implement. This can only be sorted out between the stakeholders – the provincial government and the members. To this end, we are aware that efforts are being made to advance these discussions, and TRAF stands ready to assist all parties as best it can to see this through to resolution.

MEMBER TRENDS

In 2004, a record number of 658 new pensions were processed representing an increase of 16% over the 565 processed in 2003. With the positive turnaround in investment markets, we believe members are starting to feel more secure with their personal financial situation, and many may act on their retirement plans. There are approximately 2,000 members at retirement age and an additional 20% of our active members will become eligible to retire within the next five years.

This is consistent with the increase we have experienced in service demands, such as pension estimates, member appointments, and service purchases. To meet these growing demands, TRAF continues to expand its human and technological resources to ensure that our services are maintained at the levels our members expect and deserve.

We encourage you to read the rest of this report and provide us with any comments or suggestions for improvement. Furthermore, if any of your questions remain unanswered, please contact our office at 949-0048 and we will be able to provide additional information.

Pat Isaak, Acting Chair

Jeff Norton, President & CEO

INVESTMENT PERFORMANCE

INVESTMENT OBJECTIVES

The objective for TRAF's investment performance over the long-term is as follows:

- to exceed the aggregate returns achieved by the Fund's indexed-based benchmark asset mix by 0.50%;
- to exceed the median fund performance results achieved in a universe of comparable balanced funds as calculated by an independent provider of performance measurement services;
- to achieve a 4.25% rate of return above inflation.

ASSET ALLOCATION

A key step in achieving TRAF's investment objectives is to have investable assets properly allocated among the various asset classes. To this end, TRAF annually determines "benchmark" allocations, as well as an acceptable range around these targeted benchmarks to accommodate both transitional matters and normal market fluctuations.

TRAF's current asset allocation parameters, together with the actual weightings as of December 31, 2004, are as follows:

ASSET CLASS	Minimum %	Maximum %	Benchmark Asset Mix %	December 31, 2004 Actual Weighting %	December 31, 2004 Actual Weighting ($ million)
FIXED INCOME					
Cash & Short-Term Instruments	0	10	1	0.7	14.8
Bonds	15	42	29	28.0	651.6
Public	15	30	22	24.7	574.4
High Yield	0	6	4	2.5	59.0
Private	0	6	3	0.8	18.2
Mortgages	5	10	8	6.9	161.2
FIXED INCOME TOTAL	20	55*	38	35.6	827.6
EQUITIES					
Canadian	25	60	30	32.4	753.8
US	6	15	9	10.0	233.0
Non-North American	6	15	9	8.3	193.1
Private	1	6	3	2.6	59.7
Real Estate	7	13	11	11.1	258.6
EQUITIES TOTAL	45	80*	62	64.4	1,498.2
TOTAL PORTFOLIO					2,325.8

* Maximum allocations are constrained by the minimums of other asset classes.

INVESTED ASSETS

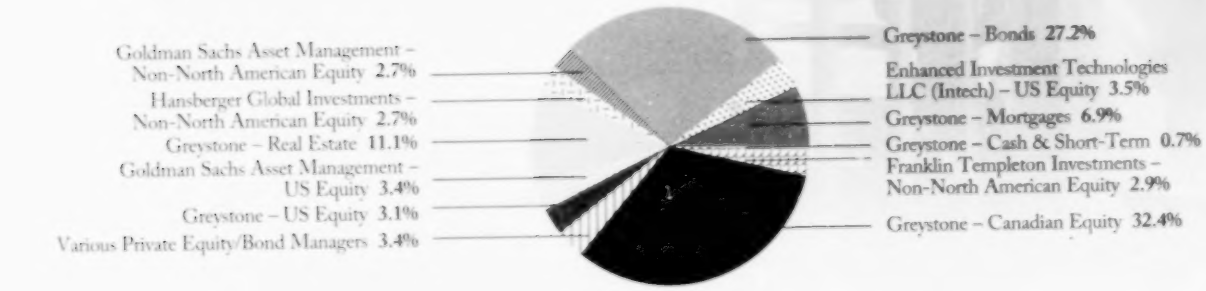
December 31, 2004

INVESTMENT MANAGERS

Once the asset allocation parameters have been established, TRAF engages various investment managers to actually select the individual stocks, bonds and other securities for each asset class. Our primary investment manager since 1999 has been Greystone Managed Investments Inc. Greystone's mandate covers multiple asset classes and geographic areas. In addition to Greystone, material portions of TRAF's assets are managed by Franklin Templeton Investments, Enhanced Investment Technologies LLC (Intech), Hansberger Global Investments, and Goldman Sachs Asset Management, each of which has particular investment specialties. The following chart indicates our allocations as of December 31, 2004:

MANAGER ALLOCATIONS

December 31, 2004


Greystone – Bonds 27.2%
Enhanced Investment Technologies LLC (Intech) – US Equity 3.5%
Greystone – Mortgages 6.9%
Greystone – Cash & Short-Term 0.7%
Franklin Templeton Investments – Non-North American Equity 2.9%
Greystone – Canadian Equity 32.4%
Goldman Sachs Asset Management – Non-North American Equity 2.7%
Hansberger Global Investments – Non-North American Equity 2.7%
Greystone – Real Estate 11.1%
Goldman Sachs Asset Management – US Equity 3.4%
Greystone – US Equity 3.1%
Various Private Equity/Bond Managers 3.4%

PERFORMANCE

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December 31, 2004

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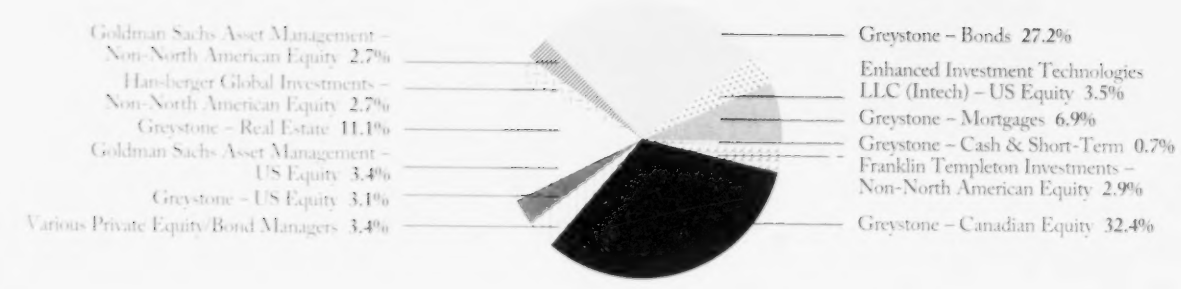
December 31, 2004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Franklin Templeton Investments – Non-North American Equity 2.9%
Greystone – Canadian Equity 32.4%

PERFORMANCE RESULTS

When assessing our results, the performance of each of TRAF's asset classes is compared to the composite benchmark index that has been selected by the Investment Committee and approved by the Board.

The current benchmark indices are displayed in the following chart.

This quantitative analysis, together with other subjective criteria, assists in the review of each investment manager engaged by TRAF. We also measure our overall portfolio performance against a weighted average of the benchmark allocations dictated by TRAF's benchmark allocations.

The table on the following page shows the returns for each of TRAF's individual asset classes, the total portfolio return and the corresponding benchmark returns for the one-year, five-year, and ten-year periods ending December 31, 2004.

As you can see, TRAF's portfolio returned 12.1% in 2004, exceeding its benchmark by 1.8%. This performance placed TRAF in the top quartile of its industry peers. All asset classes other than Non-North American Equity contributed to this result.

ASSET CLASS	BENCHMARK
FIXED INCOME	
Cash & Short-Term	91 Day T-bill
Bonds	
Public	Scotia Capital Markets Universe Bond Index (SC Universe)
High Yield	Scotia Capital Markets High Yield Index
Private	Scotia Capital Markets Universe Bond Index plus 3% per annum
Mortgages	Scotia Capital Markets Conventional Index (SC Mortgage)
EQUITIES	
Canadian	S&P/TSX 10% Capped Index
US	S&P 500 Index
Non-North American	Morgan Stanley Capital International EAFE Index (MSCI EAFE)
Private	S&P/TSX 10% Capped Index plus 5% per annum
Real Estate	IPD All Property Index

ANNUALIZED INVESTMENT PERFOMANCE SUMMARY

Returns (%)	Periods Ending December 31, 2004 1-Year	5-Year	10-Year
TRAF Total Fund	**12.1**	**7.1**	**9.3**
TRAF Benchmark	**10.3**	**5.0**	**9.0**
Cash & Short-Term	2.4	3.7	4.5
91 Day T-Bill	2.3	3.6	4.3
Bonds	7.6	8.8	9.0
Bond Benchmark	7.1	8.2	9.0
Mortgages	7.0	9.0	8.5
SC Mortgage	6.6	8.0	8.3
Canadian Equity	17.3	10.5	12.6
Canadian Equity Benchmark	14.5	5.7	11.2
US Equity	9.7	-2.0	n/a
S&P 500 Index	3.3	-5.8	10.4
Non-North American Equity	9.9	-3.9	6.8
MSCI EAFE	12.0	-4.7	4.0
Real Estate	13.9	11.6	11.5
IPD All Property Index	9.8	9.7	10.5

Note: Private equity investments are included in Canadian Equity. Information compiled by Towers Perrin, an independent provider of performance measurement services.

Over five years, each asset class has produced excess return, resulting in an annualized return of 7.1% as compared to the benchmark of 5.0%. This result puts TRAF in the second quartile on a comparative basis. On a ten-year basis, the annualized return is 9.3%, which is 0.3% over the benchmark, but only placed TRAF's performance in the third quartile over this period.

As a result of our ongoing monitoring and assessment process, certain investment manager changes occurred in 2004. At the end of the second quarter, Enhanced Investment Technologies LLC (Intech) assumed responsibility for a portion of our US Equity allocation. In addition, a decision was made in late 2004 to replace one of our Non-North American Equity managers with a combination of Hansberger Global Investments and Goldman Sachs Asset Management. This transition was completed in the fourth quarter of 2004.

SUMMARY

We are generally pleased with the current structure of our investment portfolio and the returns that were achieved in 2004. However, our time horizon is decades, not a single year. As such, we will continue, as always, to assess and adjust the portfolio in an effort to maximize returns and minimize risk over the long term. This may entail the addition of other asset classes and/or management styles, as well as the re-balancing of our assets among existing asset classes and/or managers. As in the past, any such decisions will only be made following careful consideration of the proposal by the Investment Committee and ultimate approval of the Board.

STATUS

The funding status of a pension plan is an important measure of the plan's financial position and is determined through an actuarial valuation. A funding valuation, on a going concern basis, compares the value of assets to the cost of benefits payable to all plan members now and in the future. The actuary must make a number of assumptions when estimating the future value of assets and cost of benefits. Key among those assumptions are the rate of return on investments and the life expectancy of teachers. Over time, the cost of benefits must balance with contributions and investment returns.

Account A represents the pre-funded, teacher-financed portion of the Fund, and is responsible for the payment of roughly one-half of the basic pensions paid to retired teachers.

The Teachers' Pensions Act requires that an actuarial valuation be conducted at least once every three years. The most recent actuarial valuation of the assets and liabilities of Account A (excluding the Pension Adjustment Account which is valued separately) was completed as at January 1, 2004 by Aon Consulting Inc., the actuary for the Fund.

The purpose of this valuation was to:

- determine the Fund's financial position on a going concern basis as at January 1, 2004 in accordance with Section 45(4) of The Teachers' Pensions Act,
- discuss the funding of any plan deficiency,
- determine the hypothetical wind-up position of Account A as at January 1, 2004, and
- determine actuarial estimates of the new entrant funding adequacy of teacher contributions under Account A of the Fund.

The January 1, 2004 valuation of Account A disclosed actuarial assets of $2,332.3 million and liabilities of $2,458.8 million, therefore leaving a deficit of $126.5 million. This compares to a surplus of $102.9 million as at January 1, 2001.

The change in financial position is the net effect of experience gains and losses and changes in assumptions. An experience gain or loss is the difference between the actual results and what the actuary had assumed in the previous valuation. The most significant factor influencing the funding status was an experience loss related to investment performance. Aggregate investment returns from 2001 to 2003 were lower than the assumed rate of 7% per annum resulting in a $196.3 million experience loss. The actuary also pointed out teacher contribution rates are lower than necessary to fund the promised benefits. This has been the case for many years; however, in the past strong investment returns have made up for the shortfall in teacher contributions. The report noted a shortfall of $155.8 million when comparing the present value of future teacher contributions and the actuarial liability for expected future teacher service.

The actuarial report outlines options for funding the unfunded liability in Account A. One method of funding this shortfall is through increased teacher contribution rates.

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FUNDING STATUS

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ACTUARIAL VALUATION OF ACCOUNT A

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The actuarial report outlines options for funding the unfunded liability in Account A. One method of funding this shortfall is through increased teacher contribution rates.

A hypothetical wind-up valuation was prepared to determine if the Account A assets in the Fund are

sufficient to cover the Account A liabilities for benefits accrued to the valuation date. This requires the Fund to be valued as if it was terminated on the valuation date rather than continuing as a going concern. Using assumptions related to current market conditions, the Account A assets would not be sufficient to cover the Account A liabilities for benefits accrued to the valuation date. The hypothetical wind-up ratio, obtained by dividing the market value of assets by the hypothetical wind-up liability, is 0.88.

The actuary determined that with the assumptions used in this valuation, a typical new entrant's lifetime contributions are not expected to fully fund the Account A's 50% portion of the benefits that are expected to accrue to that new teacher. As a result, with the current contribution rates, new entrants in general will create additional unfunded actuarial liabilities under Account A.

ACTUARIAL VALUATION OF ACCOUNT B

Account B represents the unfunded government-financed portion of the Fund and is responsible for the payment of roughly one-half of the basic pensions plus one-half of cost of living adjustments paid to retired teachers.

In conjunction with the valuation of Account A, the actuary assessed the Account B liabilities. Account B is financed by the province as benefit payments are made. The total liabilities of Account B, including pension adjustments granted to the valuation date for which the province is directly responsible, were determined to be $2,496.3 million as at January 1, 2004. This compares to total liabilities of $2,099.9 million as at January 1, 2001. For valuation purposes, Account B assets are deemed to be equal to the Account B liabilities, since the government has a legislated promise to pay its share of future pensions.

The next full actuarial valuation will be performed as at January 1, 2007. During the intervening period, and while the Fund is in an actuarial deficit, the Board has decided to have the actuary provide certain updates which will enable the Board to monitor the situation.

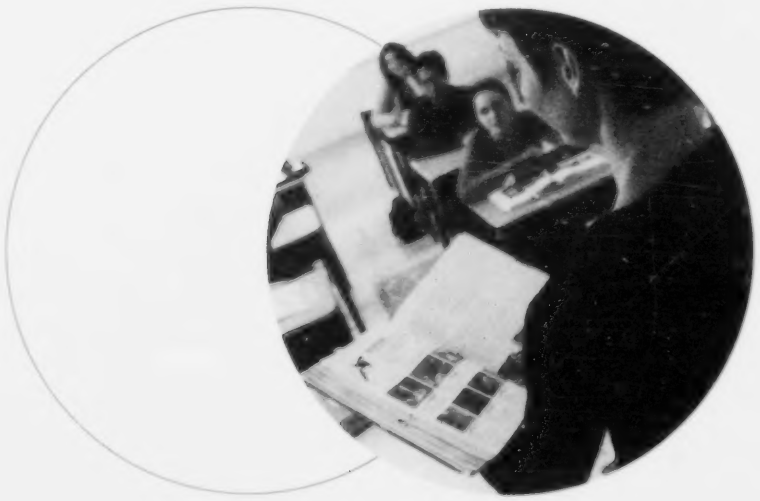
ACTUARIAL VALUATION OF THE PENSION ADJUSTMENT ACCOUNT (PAA)

The PAA was established by an amendment to The Teachers' Pensions Act in 1977 for the purpose of financing 50% of the pension adjustments granted as a result of increases in the cost of living after the pension commences. The province finances the remaining one-half of the cost of living increases granted on a pay as you go basis.

An actuarial valuation of the PAA is completed annually to determine what cost of living adjustment can be paid. Annual cost of living adjustments are the lesser of the prior year change (December over December) in the Consumer Price Index (CPI) for Canada, or the amount determined by the actuary that the PAA can support.

The valuation on December 31, 2003 showed a surplus of $5,870,000 prior to the granting of an increase for 2004. This enabled TRAF to grant a cost of living increase of 0.54% effective July 1, 2004, which was less than the 2.00% CPI (Canada) increase for 2003.

The PAA will not be able to pay reasonable cost of living adjustments in the future unless changes are legislated. This issue has been under discussion between the members and the province for several years.



MEMBER SERVICES

WHETHER MANAGING THE ASSETS OF THE FUND; DIRECTING INVESTMENTS; CONDUCTING SEMINARS OR PERSONAL APPOINTMENTS; RESPONDING TO INFORMATION REQUESTS; DISTRIBUTING NEWSLETTERS AND THE ANNUAL REPORT; OR PROVIDING MONTHLY PENSION PAYMENTS; OUR MEMBERS ARE ALWAYS THE FOCUS OF OUR EFFORTS.

During 2004, we maintained service, salary and contribution records for active and former teachers, and ensured that our retired members and their beneficiaries received their benefit entitlements.

Meeting service demands continues to be a priority as we see the leading edge of baby boomers approaching and entering retirement. Although all projections pointed to 2002 being the peak year for retirements with continuing trends in following years, TRAF only started experiencing the expected increase in retirements during 2004.

As we move into 2005, we expect a continued increase in the number of members requesting pension estimates and other benefit information necessary to make decisions regarding their future retirement plans.

GENERAL INFORMATION REQUESTS	2004	2003
Estimate Calculations	6,309	6,057
Number of Appointments	1,317	1,222
Number of Seminars		
Winnipeg	17	22
Rural	16	12

TOTAL NEW RETIREMENTS	2004		2003	
	Male	Female	Male	Female
Number of Retirements (active)	200	309	206	239
Number of Retirements (deferred)	66	83	43	77

NEW RETIREMENTS (ACTIVE ONLY)	2004		2003	
	Male	Female	Male	Female
Average Age	57.53	57.47	57.19	57.02
Average Service	31.14	26.16	31.10	27.13
Average Monthly Pension	$2,381	$2,022	$2,468	$2,064

MANAGEMENT TEAM: (L to R)
JEFF NORTON – PRESIDENT & CEO
LES BROWN – VP, INFORMATION SERVICES
BRENDA VENUTO – VP, BENEFITS ADMIN. & MEMBER SERVICES
KRISTI BAILY – ASSOCIATE VP, COMMUNICATIONS
DEWAR MCKINNON – VP, FINANCE & OPERATIONS

PENSIONS

As of December 31, 2004, pension payments were being made to 9,575 retired teachers or their beneficiaries. This represents a net increase of 527 from the prior year. The "Pensions in Pay" chart below provides a summary of the number and types of pensions being paid.

LEGISLATIVE CHANGES

Bill 46 was passed in June 2004 and resulted in the following changes to the pension plan:

- As previously noted, the TRAF Board is now comprised of three members nominated by The Manitoba Teachers' Society (MTS) and four members appointed by the provincial government. Prior to the amendment, three members were named by MTS, two by the provincial government and two from the Manitoba Association of School Trustees.
- Members who retired before August 18th, 2000 are now eligible to purchase maternity leave or adoption leave granted under a collective agreement or in accordance with the employer's policies. **This opportunity is only available until December 31st, 2005.**
- Adoption leave is now purchasable as maternity leave rather than parental leave, which is significantly less expensive. Those who purchased adoption leaves under the former rules are entitled to a partial refund of the cost.
- Previous legislation regarding purchasing past service was changed from "was not contributing to a pension plan other than the Canada Pension Plan" to "has no pensionable service for the period under any other plan other than the Canada Pension Plan".
- Starting July 2004, the disability insurance plan is no longer making TRAF contributions on behalf of members; however, members will continue to accumulate pensionable service and salary during disability.

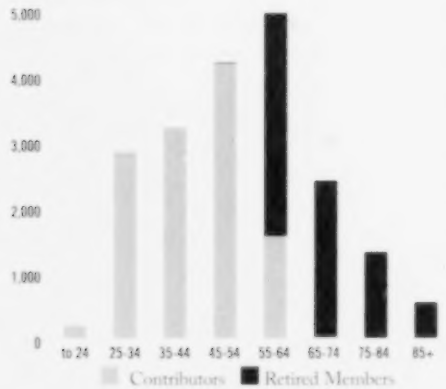
Part of Bill 46 dealt with excess contributions for members whose income exceeds the maximums allowed under the Income Tax Act. The implementation of this change is still in process because the original amendments to The Teachers' Pensions Act did not meet the requirements under the Income Tax Act.

PENSIONS IN PAY

	2004	2003
Regular service pensions		
Male	3,875	3,688
Female	4,752	4,472
Survivors/beneficiaries of deceased retired members		
Male	54	47
Female	379	341
Pre-retirement death benefits	111	110
Other benefits including annuities	404	390
Total recipients	9,575	9,048

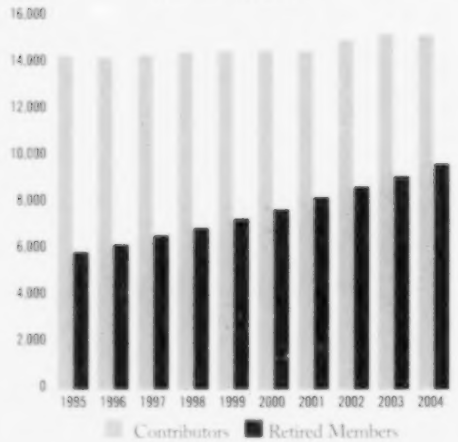
AGE DISTRIBUTION

December 31, 2004



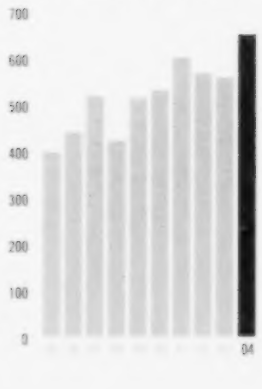
CONTRIBUTORS AND RETIRED MEMBERS

December 31, 2004



TOTAL NUMBER OF NEW PENSIONS GRANTED

December 31, 2004



TRAF is subject to The Freedom of Information and Protection of Privacy Act (FIPPA). As such, certain of our records are available to the public on request, subject to compliance with certain procedures set out in, and payment of any applicable fees prescribed by, FIPPA.

TEACHERS' RETIREMENT ALLOWANCES FUND

MANAGEMENT RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the Teachers' Retirement Allowances Fund and all the information in this Annual Report are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements include some amounts, such as the market value of investments, that are necessarily based on management's best estimates and judgement.

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Financial and operating data elsewhere in the Annual Report are consistent with the consolidated financial statements.

In discharging its responsibility for the integrity and fairness of the consolidated financial statements, management maintains the internal control systems and practices necessary to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

The firm of Aon Consulting Inc. has been appointed the independent consulting actuary to the Fund. The role of the actuary is to complete an actuarial valuation of the Fund in accordance with accepted actuarial practice; the results of the valuation are included in the consolidated financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and has appointed an Audit Committee. The Audit Committee is comprised of two Board members and one external member. The Audit Committee meets with management and the external auditors to satisfy itself that management is properly discharging its financial reporting responsibilities.

The Fund's independent external auditor, the Auditor General of Manitoba is responsible for auditing the consolidated financial statements of the Fund and for issuing their report thereon. The Auditor General has full and unrestricted access to the Audit Committee.

Jeff Norton, LLB, CFA
President & CEO

Dewar McKinnon, CGA
Vice President, Finance & Operations

Winnipeg, Manitoba
February 18, 2005

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Members of the Teachers' Retirement Allowances Plan

We have audited the consolidated statement of net assets available for benefits of The Teachers' Retirement Allowances Fund as at December 31, 2004 and the consolidated statement of changes in net assets available for benefits for the year then ended. These consolidated financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the net assets available for benefits of the Fund as at December 31, 2004 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba
February 18, 2005

Jon W. Singleton, CA•CISA
Auditor General

CONSOLIDATED STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

as at December 31, 2004

($ Thousands)	2004	2003
ASSETS		
Investments, *Note 3*	$ 2,325,794	$ 2,135,822
Investment income receivable	8,525	8,350
Receivable for settlement of outstanding trades	3,413	–
Contributions and other receivables, *Note 4*	13,501	16,001
Cash	2,362	1,580
Computer and office equipment	162	206
Prepaid expense	7	7
TOTAL ASSETS	2,353,764	2,161,966
LIABILITIES		
Accrued liabilities	4,860	8,745
Payable for settlement of outstanding trades	–	1,019
Money purchase accounts, *Note 6*	844	584
Employer trust accounts, *Note 7*		
Manitoba Teachers' Society	4,987	4,681
Manitoba Association of School Trustees	258	247
Province of Manitoba Trust Account, *Note 8*	151,283	134,727
Provision for Fund's share of employees' pension benefits, *Note 9*	2,257	2,131
TOTAL LIABILITIES	164,489	152,134
NET ASSETS AVAILABLE FOR BENEFITS	$ 2,189,275	$ 2,009,832

On behalf of the Board

Pat Isaak

Acting Chair

Raymond Henocken

Board Member

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

for the year ended December 31, 2004

($ Thousands)	Account A		2004	2003
	Basic Benefits	Pension Adjustments	Total	Total
INCREASE IN ASSETS				
Contributions, *Note 10*	$ 152,318	$ 8,195	$ 160,513	$ 155,512
Net investment income, *Note 13*	50,027	10,074	60,101	65,278
Current period change in fair value of investments, *Note 14*	174,565	–	174,565	163,278
TOTAL INCREASE IN ASSETS	376,910	18,269	395,179	384,068
DECREASE IN ASSETS				
Pensions paid	183,418	13,802	197,220	183,031
Refunds	7,607	–	7,607	5,576
Transfers under reciprocal agreements	7,462	–	7,462	16,909
Administrative expenses, *Note 17*	3,447	–	3,447	3,029
TOTAL DECREASE IN ASSETS	201,934	13,802	215,736	208,545
CHANGE IN NET ASSETS	174,976	4,467	179,443	175,523
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	1,876,355	133,477	2,009,832	1,834,309
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	$ 2,051,331	$ 137,944	$ 2,189,275	$ 2,009,832

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2004

1. DESCRIPTION OF PLAN

The following description of The Teachers' Retirement Allowances Fund ("the Fund") plan is a summary only. For more complete information, reference should be made to The Teachers' Pensions Act ("the Act"), as amended.

(a) General

The Teachers' Retirement Allowances Fund Board ("the Board") was originally constituted under an Act passed at the 1925 session of the Legislature. The Board currently operates under the authority of The Teachers' Pensions Act. The Board is charged with responsibility for administering the Act and functions as trustee of a fund maintained to provide defined benefit pensions to public school teachers in Manitoba.

The Act provides for distinct and separate accounts in the Fund, known respectively as Account A and Account B. In Account A, the Fund records the net assets arising from teacher contributions and all payments of pensions, allowances and expenses. It also receives reimbursement for the Province of Manitoba's half of the pensions paid as a transfer from Account B. Account B records the receipt of the Province's payments for its share of pensions paid and certain other payments as described in the Act. Account B is reduced by transfers to Account A. The balance of Account B is reflected as receivable on the statement of net assets available for benefits (Note 4).

The Fund maintains separate trust accounts for the Manitoba Teachers' Society (MTS) and the Manitoba Association of School Trustees (MAST). Qualifying employees of these organizations are considered to be teachers for purposes of participating in the Fund. Employer obligations for benefits, in respect of these individuals, are funded through these separate trust accounts.

The Fund holds monies in trust on behalf of the Province of Manitoba. The Province of Manitoba Trust Account is shown as a liability on the statement of net assets available for benefits (Note 8).

The Fund also keeps separate Money Purchase Accounts to hold other related funds on a trust basis.

(b) Funding

The Act requires all Manitoba public school teachers to contribute to the Fund on a basis related to their salary. Teachers contribute 5.7% on pensionable earnings up to the Canada Pension Plan's yearly maximum pensionable earnings (YMPE) and 7.3% on pensionable earnings in excess of the YMPE. In accordance with the Act, 83.5% of contributions are used to fund basic benefits and 16.5% of contributions are allocated to the Pension Adjustment Account for the purpose of indexing benefits.

In accordance with the Act, the Province of Manitoba contributes its share of pensions paid during the year and certain other statutory charges. The Province's liability for pension benefits, which is approximately $2.0 billion, is unfunded (Note 12).

(c) Retirement pensions

An unreduced pension is available at age 60, or as early as age 55 where combined age and service equals 80. Any reduction in pension is offset by a bridging benefit payable to the earlier of age 65 or death. Members are eligible to retire at age 55 with 10 years of qualifying service, provided that two of the years are within a 10-year period ending after 1984. All members must commence pension benefits no later than December 31 of the year age 69 is attained.

(d) Withdrawal refunds

Subject to lock-in provisions, refunds are available when an active member ceases employment.

1. DESCRIPTION OF PLAN (continued)

(e) Death benefits

(i) Active members

Upon the death of an active member, a lump sum is payable to the estate or beneficiary based on pre-1985 contributions and interest and the commuted value of the post-1984 deferred pension. A spouse may elect to convert the lump sum benefit to a monthly annuity. Where the service is non-vested, the benefit payable is the contributions and interest accumulated in 1985 and later.

(ii) Retired members

Upon the death of a retired member, pension benefits continue to be paid to a beneficiary where a survivor option has been selected. Where the contributions and interest accumulated at the pension effective date are greater than the pension paid out to the date of death, the excess is payable to the estate or beneficiary.

(f) Other provisions

(i) Buybacks

Purchase of past service and reinstatement of refunded service is allowed, pursuant to the terms and conditions contained in the Act.

(ii) Relationship break-up

Where a marriage or common-law relationship has broken up in 1984 or later, the spouse/partner is entitled to one-half the value of the pension earned during the period of relationship pursuant to the terms and conditions contained in the Act.

(iii) Teaching while receiving a pension

A member, who retires and returns to teach within 90 calendar days of retirement, is deemed not to have retired. The member must repay any pension benefits received and resume contributing to the Fund. A retired member can receive a pension while teaching, until the member reaches the 121st full day of service in one school year. A full day of service is considered anything over 50% time. When the 121st full day is reached, the member's pension is suspended and the member must resume contributing to the Fund.

(g) Cost of living adjustments

Pensions are adjusted annually by the lesser of the change in the Canada Consumer Price Index or the amount actuarially available in the Pension Adjustment Account to fund one-half of the cost of living adjustment.

(h) Income taxes

The Teachers' Retirement Allowances Fund is a Registered Pension Plan as defined in the Income Tax Act and is not subject to income taxes. The Fund's registration number is 0273698.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The Fund's financial statements are prepared in accordance with Canadian generally accepted accounting principles.

These financial statements consolidate the assets, liabilities, revenues and expenses of the Fund and of its wholly owned subsidiary, TRAF Realty Ltd. TRAF Realty Ltd. is incorporated under The Corporations Act of Manitoba and is primarily engaged in acquiring real estate property in Manitoba.

(b) **Investments**

Investments are stated at fair value on a trade date basis. Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act.

Publicly traded investments are stated at year end market prices as listed on the appropriate stock exchange, or as provided by the Fund's custodian from independent outside sources.

High yield debt, according to the characteristics of the specific debt instruments, is stated at market value based on bid prices, discounted cash flows or recorded at cost where no market value is available.

Mortgages are stated at fair value based on the present value of future cash flows.

Money market securities are recorded at cost which approximates market.

Pooled equity funds are valued based on the quoted market price of the underlying investments.

Private investments which consist of private debt and other equity are valued by the external manager or are recorded at cost where no previous valuation has been prepared.

Real estate market values are based on the most recently available external management valuations or appraisals of the underlying properties or recorded at cost where no previous valuation has been prepared.

(c) **Use of estimates**

In preparing these financial statements, management must make estimates and assumptions that primarily affect the reported values of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the year. Actual results could differ from those estimates.

(d) **Foreign currency translation**

The market value of investments and cash balances denominated in foreign currencies are translated into Canadian dollars at the rates in effect at year end and the resulting change is included in the current period change in fair value of investments.

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on the dates of the transactions. Hedged foreign currency transactions are translated at rates of exchange established by the terms of the forward exchange contracts. The foreign exchange on revenue and expense transactions is included in investment income.

(e) **Forward contracts**

A forward is a contractual obligation either to buy or sell a specified amount of foreign currency at a predetermined future date and exchange rate. Forward contracts are valued at the estimated amounts that the Fund would receive or pay to terminate the contracts at the reporting date (Note 5(c)). Realized gains or losses on forward contracts are recognized with the current period change in fair value of investments.

(f) **Provision for Fund's share of employees' pension benefits**

Employees of the Fund are pensionable under The Civil Service Superannuation Act. The Fund accrues a liability for the employer share of the employees' pension benefits, including future cost of living adjustments, based on an actuarial report.

(g) **Computer and office equipment**

Computer and office equipment acquisitions are capitalized and amortized on a straight line basis over five years.

($ Thousands)	2004	2003
Fixed Income		
Bonds and debentures	$ 651,622	$ 642,598
Mortgages	161,163	151,658
Money market securities	14,764	2,871
Equities		
Canadian	753,796	680,263
Non-North American	193,103	206,966
United States	232,994	220,994
Other	59,721	36,998
Real estate	258,631	193,474
	$ 2,325,794	$ 2,135,822

($ Thousands)	2004	2003
Account B	$ 10,650	$ 13,183
Teacher contributions	2,849	2,603
Other receivables	2	215
	$ 13,501	$ 16,001

The Fund follows a balanced fund asset mix strategy to earn the best possible investment return at an acceptable level of risk.

(a) Interest rate and market risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Fund's assets and liabilities.

The value of the Fund's investments is affected by changes in nominal short-term interest rates and their impact on equity markets. Assuming a parallel change in long and short-term yields, a 1% increase in interest rates would have the effect of decreasing the value of fixed income investments by 6%.

Pension liabilities are exposed to the long-term expectation of real rate of return on the investments as well as expectations of inflation and salary escalation. Holding all other actuarial assumptions constant, a 1% decrease in the assumed long-term rate of return would result in a 12% increase in the pension liabilities for basic benefits.

The value of certain investments is also affected by the existence of limited secondary markets.

To manage interest rate and market risks, the assets of the Fund are invested to ensure a prudent level of diversification by type of security, geographic location and by industry.

(b) Credit risk

Credit risk arises from the potential for an investee to fail or for a counterparty to default on its contractual obligations to the Fund.

5. RISK MANAGEMENT

The Fund limits credit risk by dealing with counterparties that are considered to be of high quality, by obtaining collateral where appropriate, through investment diversification and by setting and monitoring compliance with portfolio guidelines.

(c) Foreign currency risk

Foreign currency exposure results where investments are denominated in a foreign currency.

The Fund, through its investment managers, may employ hedging strategies to mitigate the foreign currency risk in the portfolio. At December 31, 2004 the Fund held $61,628,853 (2003 - $56,865,600) in forward contracts with an unrealized gain of $2,149,694 (2003 - $2,247,200).

6. MONEY PURCHASE ACCOUNTS

Separate money purchase accounts have been established for persons transferring amounts to the Fund in accordance with the Act. These accounts are maintained separately from the Fund's other activities. In 2003, the income crediting provision was changed so that the accounts received the same rate of income as the total Fund. Previously, the accounts earned income according to short-term lending rates. On the written direction of the individual, the accumulated amount of the individual's account is transferred out to a Locked In Retirement Account or into the Fund's Account A for initiation of a lifetime annuity.

($ Thousands)	2004	2003
Balance at beginning of year	$ 584	$ 446
Change in income crediting provision	–	88
Adjusted balance, beginning of year	584	534
Transfers in	242	–
Investment income	79	67
Transfers out	(61)	(17)
Balance at end of year	$ 844	$ 584

7. EMPLOYER TRUST ACCOUNTS

The Fund maintains separate trust accounts for the employer obligation for pension benefits in respect of MTS and MAST employees who are members of the Fund. The trust accounts receive the employer contributions and investment income and are charged with the employer share of pensions paid.

(a) Manitoba Teachers' Society Trust Account

($ Thousands)	2004	2003
Balance at beginning of year	$ 4,681	$ 4,359
Investment income	544	547
Pension payments	(238)	(225)
Balance at end of year	$ 4,987	$ 4,681

(b) Manitoba Association of School Trustees Trust Account

($ Thousands)		2004		2003
Balance at beginning of year	$	247	$	231
Contributions		17		19
Investment income		29		29
Pension payments		(35)		(32)
Balance at end of year	$	258	$	247

4. PROVINCE OF MANITOBA TRUST ACCOUNT

The Province of Manitoba (the Province), in accordance with The Balanced Budget, Debt Repayment and Taxpayer Accountability Act, established a fund for the purpose of accumulating funds for the eventual retirement of the Province's unfunded pension obligation.

Under terms of a September 13, 2001 (as amended June 24, 2004) agreement between the Province and the Board, the Province established a trust account with the Board and is making the required payments to the trust account. These monies are not Fund assets and are accounted for separately by the Fund in the Province of Manitoba Trust Account. According to the terms of the agreement, these monies earn the rate of return of the Fund and the Board is paid a fee for its investment management services. Fees earned by the Board are deducted from investment management expenses (Note 13).

The payments made by the Province to the Board do not reduce the accrued pension benefit obligations of the Fund.

($ Thousands)		2004		2003
Balance at beginning of year	$	134,727	$	81,434
Deposits		–		40,883
Investment income		16,891		12,527
Management fee		(335)		(117)
Balance at end of year	$	151,283	$	134,727

5. PROVISION FOR FUND'S SHARE OF EMPLOYEES' PENSION BENEFITS

($ Thousands)		2004		2003
Balance at beginning of year	$	2,131	$	1,964
Benefits accrued		106		97
Interest accrued on benefits		155		142
Benefits paid		(135)		(72)
Balance at end of year	$	2,257	$	2,131

The valuation of the pension obligations as at December 31, 2001 was conducted by Ellement and Ellement Ltd., consulting actuaries. The key actuarial assumptions were a rate of return of 6.75% (1998 - 7%), 2.75%

inflation (1998 - 3%), salary rate increases of 4.5% (1998 - 4.5%) and post-retirement indexing at 2/3 of the inflation rate. The entry age normal actuarial cost method was used and the liabilities have been extrapolated to December 31, 2004 using a formula provided by the actuary.

10 CONTRIBUTIONS

($ Thousands)	2004	2003
Teachers	$ 52,438	$ 50,873
Transfers from Account B		
Share of benefits charged	104,242	101,076
Other statutory charges	1,650	1,654
Transfers under reciprocal agreements	2,183	1,909
	$ 160,513	$ 155,512

11 ACTUARIAL VALUATIONS

The Teachers' Pensions Act, sub-section 45(4), requires an actuarial valuation of the Fund at least every three years. The most recent actuarial valuation of Account A (excluding the Pension Adjustment Account) and Account B was completed as at January 1, 2004 by Aon Consulting Inc., consulting actuaries. This is a funding valuation which projects the plan's benefit costs and compares them to the assets plus future contributions. The previous valuation of Accounts A and B occurred at January 1, 2001. The unit credit actuarial cost method was used for each valuation.

The assumptions used in determining the actuarial value of benefits accrued for service to date for Account A and Account B were developed by reference to expected long-term market conditions. The significant long-term actuarial assumptions used in the valuations were:

	January 1, 2004		January 1, 2001	
Annual rate of return				
(a) Inflation component	2.50%		3.00%	
(b) Real rate of return	4.25%		4.00%	
	6.75%		7.00%	
Annual salary escalation rates				
(a) General increases:				
(i) inflation component	2.50%		3.00%	
	to 2011	after 2011	to 2011	after 2011
(ii) productivity component	0.50%	0.75%	0.50%	0.75%

(b) The rates used for seniority, merit and promotional increases are assumed to be related to the number of years of service and range from 0.50% to 5.75%. This is consistent with the assumption used in the 2001 valuation.

11 ACTUARIAL VALUATIONS

The actuarial valuation of Account A (excluding the Pension Adjustment Account) as at January 1, 2004 disclosed actuarial assets of $2,332,292,000 and actuarial liabilities of $2,458,786,000 leaving a deficit of $126,494,000 (2001 - surplus $102,927,400). The actuarial assets include the present value of future service contributions and the actuarial liabilities include a liability for service expected to be rendered after the valuation date. The deficit means that Account A is not sufficiently funded to cover the cost of the promised future benefits. The change in the funded position is primarily a result of investment income falling short of the assumption during the years 2001 to 2003. The next complete valuation of the Fund will occur as at January 1, 2007.

The actuarial present value of the Province's accrued pension benefits liability (Account B), including previously granted cost of living adjustments, was calculated at $1,846,839,000 for service to January 1, 2004 (2001 - $1,631,073,300).

The Pension Adjustment Account is actuarially valued each year to determine the amount available to fund one-half of any cost of living increase. The December 31, 2003 actuarial report, prepared by Aon Consulting Inc., disclosed a surplus of $5,870,000 (2002 - $16,134,161). Effective July 1, 2004, the Board approved the payment of a 0.54% pension adjustment.

12 ACCRUED PENSION BENEFITS

(a) Basic benefits

The present value of accrued pension benefits, for Accounts A and B (excluding Pension adjustments which are shown in (b) below), for service to January 1, 2004, was determined from the actuarial valuation referred to in Note 11. The liability for service expected to be rendered after the valuation date is excluded. The present value of accrued pension benefits has been extrapolated from January 1, 2004 to December 31, 2004, using a formula developed by the actuary.

($ Millions)	Account A	Account B	2004 Total	2003 Total
Estimated actuarial present value of accrued pension benefits for service to beginning of year	$ 1,851	$ 1,798	$ 3,649	$ 3,472
Change in assumptions/experience	21	49	70	–
Adjusted beginning of year	1,872	1,847	3,719	3,472
Interest accrued on benefits	126	123	249	241
Benefits accrued	59	57	116	115
Benefits paid	(93)	(92)	(185)	(179)
Net increase in accrued pension benefits	92	88	180	177
Estimated actuarial present value of accrued pension benefits for service to end of year	$ 1,964	$ 1,935	$ 3,899	$ 3,649

The estimated actuarial present value of accrued pension benefits in Account A is the Fund's obligation, while Account B represents the Province's obligation. The Account B liability for basic benefits is unfunded.

(b) Pension adjustments (cost of living)

The present value of accrued pension adjustments has been extrapolated to December 31, 2004, using a formula developed by the actuary.

12. ACCRUED PENSION BENEFITS

($ Millions)	Pension Adjustment Account	Account B Cost of Living	2004 Total	2003 Total
Estimated actuarial present value of accrued pension adjustments at beginning of year	$ 125	$ 116	$ 241	$ 220
Change in assumptions/experience	3	(1)	2	–
Adjusted beginning of year	128	115	243	220
Interest accrued	7	7	14	15
Pension adjustments accrued	6	7	13	32
Pension adjustments paid	(14)	(14)	(28)	(26)
Net change in accrued pension adjustments	(1)	–	(1)	21
Estimated actuarial present value of accrued pension adjustments at end of year	$ 127	$ 115	$ 242	$ 241

The actuarial assumption used in the 2003 report for the rate of interest expected to be earned on the pension adjustment account was 5.50% (2002 - 6.00%). The rate of interest used to determine the liability for the cost of living benefits of Account B was 6.75% (2001 - 7.00%). The Account B liability for cost of living benefits is unfunded.

13. INVESTMENT INCOME

($ Thousands)	2004	2003
Fixed Income		
Bonds and debentures	$ 34,663	$ 39,053
Mortgages	10,446	9,633
Money market securities	572	1,251
Equities		
Canadian	13,226	11,833
Non-North American	5,598	4,449
United States	3,872	4,675
Other	1,397	648
Real estate	11,642	10,299
Gross investment income	81,416	81,841
Less: Transfer to money purchase accounts, Note 6	(79)	(155)
Transfer to employer trust accounts, Note 7	(573)	(576)
Transfer to Province of Manitoba Trust Account, Note 8	(16,891)	(12,527)
Transfer to provision for Fund's share of employees' pension benefits, Note 9	(155)	(142)
Net investment management expenses	(3,617)	(3,163)
Net investment income	$ 60,101	$ 65,278

14. CURRENT PERIOD CHANGE IN FAIR VALUE OF INVESTMENTS

($ Thousands)	2004	2003
Net realized gain (loss) on the sale of investments	$ 100,899	$ (27,296)
Net unrealized market gain	73,666	190,574
Current period change in fair value of investments	$ 174,565	$ 163,278

15. RELATED PARTY TRANSACTIONS

(a) Investments with the Province of Manitoba

($ Thousands)	Bonds	Short-Term	2004 Total	2003 Total
Balance at beginning of year	$ 11,256	$ –	$ 11,256	$ 11,824
Purchases	5,801	130,597	136,398	119,885
Sales	(8,404)	(130,597)	(139,001)	(120,542)
Current period change in fair value	12	–	12	89
Balance at end of year	$ 8,665	$ –	$ 8,665	$ 11,256
Interest income	$ 316	$ 170	$ 486	$ 876

(b) Investment management services

The Fund is a minority shareholder of Greystone Capital Management Inc., whose subsidiary Greystone Managed Investments Inc. provides investment management services to the Fund on a fee for service basis. Investment management expenses for the year were $3,250,465 (2003 - $2,805,141).

16. COMMITMENTS

As at December 31, 2004, the Fund had outstanding investment commitments totalling $223.3 million (2003 - $164.3 million). This includes capital commitments for certain private investments which will be called over the next three to five years.

17. ADMINISTRATIVE EXPENSES

($ Thousands)	2004	2003
Salaries and benefits	$ 2,210	$ 2,084
Office and administration	501	456
Actuarial fees	178	48
Custodial and banking	274	200
Communication and travel	110	119
Professional fees	68	52
Board expenses	106	70
Total	$ 3,447	$ 3,029

SCHEDULE OF INVESTMENTS

as at December 31, 2004

BONDS AND DEBENTURES

	Interest Rate (%)	Maturity Date	Fair Value ($ Thousands)
FEDERAL			
Canada	3.000	01-Jun-06	$ 51,596
Canada	3.250	01-Dec-06	67,615
Canada	4.250	01-Sep-09	54,953
Canada	5.000	01-Jun-14	34,107
Canada	5.750	01-Jun-33	71,666
Canada Housing Trust No. 1	3.750	15-Mar-10	45,399
			$ 325,336
PROVINCIAL			
55 School Board Trust	5.900	02-Jun-33	$ 2,547
Alberta Capital Finance Authority	5.000	02-Dec-13	5,626
British Columbia	6.375	23-Aug-10	4,423
British Columbia	5.750	09-Jan-12	7,015
British Columbia	5.300	18-Jun-14	2,277
British Columbia	5.700	18-Jun-29	4,710
Manitoba	5.050	03-Dec-13	5,340
Manitoba	5.500	15-Nov-18	3,325
New Brunswick	5.875	06-Dec-12	2,531
Newfoundland	5.700	17-Oct-35	2,710
Nova Scotia	6.400	01-Sep-10	2,469
Ontario	5.700	01-Dec-08	4,574
Ontario	6.100	19-Nov-10	5,987
Ontario	6.100	02-Dec-11	6,014
Ontario	5.000	08-Mar-14	2,910
Ontario	5.500	02-Jun-18	2,607
Ontario	6.500	08-Mar-29	7,304
Ontario	5.850	08-Mar-33	10,846
Ontario	5.600	02-Jun-35	2,897
Quebec	5.500	01-Jun-09	8,404
Quebec	6.000	01-Oct-12	5,909
Quebec	5.250	01-Oct-13	6,173
Quebec	6.250	01-Jun-32	7,089
Quebec Finance Corporation	4.750	01-Dec-09	3,052
Quebec Finance Corporation	6.250	01-Dec-15	3,499
Saskatchewan	5.750	05-Mar-29	2,133
Saskatchewan	6.400	05-Sep-31	5,295
			$ 127,666
CORPORATE			
407 International Inc.	9.000	15-Aug-07	$ 3,458
Aeroports de Montreal	6.611	11-Oct-33	2,388
Alliance Pipeline	7.181	30-Jun-23	4,007

	Interest Rate (%)	Maturity Date	Fair Value ($ Thousands)
CORPORATE *(cont'd)*			
Bank of Montreal	4.690	31-Jan-11	$ 2,380
BCE Inc.	6.750	30-Oct-07	1,964
BMO Capital Trust	5.474	31-Dec-14	2,380
Borealis Infrastructure Trust	6.270	03-May-11	4,294
British Columbia Ferry Services Inc.	5.740	27-May-14	2,431
British Columbia Ferry Services Inc.	6.250	13-Oct-34	1,639
Canadian Tire Corp. Ltd.	6.320	24-Feb-34	1,096
Cards II Trust	4.379	15-Oct-09	2,042
CDP Financial Inc.	4.200	14-Jul-08	2,082
Citigroup Finance Canada Inc.	4.300	05-Aug-08	1,450
Column Canada Issuer Corp.	5.943	12-Feb-12	2,212
Falcon Trust	5.151	15-Jan-11	2,024
Fortisalberta Inc.	6.220	31-Oct-34	1,771
GE Capital Canada Funding Co.	5.300	24-Jul-07	2,612
Glacier Credit Card Trust	4.444	20-Nov-08	4,102
Gloucester Credit Card Trust	5.590	15-Jun-07	4,084
Gloucester Credit Card Trust	4.716	15-May-08	2,798
Golden Credit Card Trust	4.159	15-Oct-08	4,364
Greater Toronto Airports Authority	5.950	03-Dec-07	2,339
Greater Toronto Airports Authority	6.470	02-Feb-34	1,613
Hydro One Inc.	4.000	23-Jun-08	2,747
Hydro One Inc.	5.770	15-Nov-12	1,804
Investors Group Inc.	6.750	09-May-11	3,934
Loblaw Companies Ltd.	6.050	09-Jun-34	2,502
Manitoba Telecom Services Inc.	5.200	27-Sep-11	2,343
Merrill Lynch Canada Finance Co.	4.700	12-Sep-08	2,638
Merrill Lynch Financial Assets	6.790	15-Apr-11	3,102
Merrill Lynch Financial Assets	5.245	06-Jun-13	3,494
Merrill Lynch Mortgage Loans	6.750	15-Sep-10	2,955
N-45 Degrees First CMBS	5.667	15-Nov-13	1,741
National Bank of Canada	4.926	22-Dec-14	1,828
Ontrea Inc.	5.570	09-Apr-13	3,994
Royal Bank of Canada	5.950	18-Jun-14	1,145
Royal Bank of Canada	5.450	04-Nov-18	5,989
Scotiabank Capital Trust	6.626	30-Jun-12	4,550
Toronto-Dominion Bank	4.540	05-Sep-13	3,568
Toronto-Dominion Bank	5.690	03-Jun-18	3,273
Transcanada Pipelines Ltd.	8.290	05-Feb-26	2,539
Wells Fargo Financial Canada Corp.	4.750	29-Jun-09	1,984
York Receivables Trust III	4.272	21-Jul-08	4,077
			$ 119,737

SCHEDULE OF INVESTMENTS *(cont'd)*

	Interest Rate (%)	Maturity Date	Fair Value ($ Thousands)
HIGH YIELD DEBT			
Acetex Corp.	10.875	01-Aug-09	$ 1,042
Advertising Directory	9.250	15-Nov-12	1,887
Avenor Inc.	10.850	30-Nov-14	1,210
Baytex Energy Ltd.	9.625	15-Jul-10	1,927
C.P. Ships Ltd.	10.375	15-Jul-12	1,382
Call-Net Enterprises Inc.	10.625	31-Dec-08	1,535
Cogeco Cable Inc.	8.440	31-Jul-07	1,346
Compton Petroleum Corp.	9.900	15-May-09	1,887
Dollarama Group	10.000	18-Nov-04	2,000
Fairfax Financial Holdings Ltd.	8.250	01-Oct-15	1,179
Fort Chicago Energy Partners	6.750	31-Dec-10	1,354
Harvest Operations Corp.	7.875	15-Oct-11	1,068
Intrawest Corp.	6.875	15-Oct-09	2,050
Jean Coutu Group	8.500	01-Aug-14	2,149
Marsulex Inc.	9.625	01-Jul-08	2,410
Nova Chemicals Corp.	7.850	30-Aug-10	1,658
Primewest Energy Trust	7.750	31-Dec-11	1,655
Quebecor Media Inc.	11.125	15-Jul-11	2,697
Rogers Cable Inc.	7.250	15-Dec-11	1,781
Rogers Cantel Inc.	10.500	01-Jun-06	1,080
Rogers Wireless Inc.	7.625	15-Dec-11	1,955
Saskatchewan Wheat Pool	8.000	29-Nov-08	1,971
Shaw Communications Inc.	7.500	20-Nov-13	1,365
Sherritt International Corp.	9.875	31-Mar-10	1,080
Tembec Industries Inc.	8.625	30-Jun-09	1,505
Videon Cablesystems Inc.	8.150	26-Apr-10	1,668
			$ 42,841
PRIVATE			
Frontier Capital Partners Limited Partnership			$ 5,121
Macquarie Essential Assets Partnership			5,385
T.D. Capital Mezzanine Partners Fund (Non-QLP)			5,940
T.D. Capital Mezzanine Partners Fund (QLP)			1,713
			$ 18,159
Investments under $1 Million			17,883
Total Bonds and Debentures			**$ 651,622**

	Fair Value ($ Thousands)
MORTGAGES	
Location	
Alberta	$ 56,295
British Columbia	20,028
Manitoba	23,731
Ontario	61,075
Saskatchewan	34
Total Mortgages	**$ 161,163**
MONEY MARKET SECURITIES	
Federal and Provincial Governments	$ 6,985
Banks and Trust Companies	7,779
Total Money Market Securities	**$ 14,764**
CANADIAN EQUITIES	
Alcan Inc.	$ 14,418
Altagas Income Trust	4,528
ATI Technologies Inc.	7,933
Bank of Montreal	25,349
Bank of Nova Scotia	48,611
Barrick Gold Corp.	10,783
Brascan Corp.	4,037
Cameco Corp.	27,930
Canadian Imperial Bank of Commerce	29,925
Canadian National Railway Co.	23,548
Canadian Natural Resources Ltd.	21,719
CGI Group Inc.	6,799
Cott Corp.	6,942
Dorel Industries Inc.	3,265
Enbridge Inc.	4,579
Encana Corp.	29,284
Falconbridge Ltd.	10,164
Finning International Inc.	11,408
Fording Canadian Coal Ltd.	4,355
Fortis Inc.	4,094
Forzani Group Ltd.	2,931
Great West Lifeco Inc.	4,155
IGM Financial Inc.	3,836
Loblaw Companies Ltd.	14,038
Macdonald Dettwiler & Associates Ltd.	5,184
Magna International Inc.	17,154
Manitoba Telecom Services Inc.	3,807
Manulife Financial Corp.	31,244

	Fair Value ($ Thousands)
CANADIAN EQUITIES *(cont'd)*	
Masonite International Corp.	12,809
Meridian Gold Inc.	7,815
National Bank of Canada	12,830
Norbord Inc.	3,502
Nortel Networks Corp.	13,636
Open Text Corp.	5,829
Petro-Canada	9,959
Potash Corp. of Saskatchewan	25,917
Power Corp. of Canada	33,378
Power Financial Corp.	9,628
Precision Drilling Corp.	15,338
QLT Inc.	5,358
Research in Motion Ltd.	11,275
Rogers Communications Inc.	10,780
Rona Inc.	9,709
Rothmans Inc.	4,800
Royal Bank of Canada	26,802
Saputo Inc.	7,130
Shoppers Drug Mart Corp.	19,351
SNC-Lavalin Group Inc.	21,255
Stratos Global Corp.	3,763
Suncor Energy Inc.	10,515
Superior Plus Income Fund	3,987
Talisman Energy Inc.	19,915
Telus Corp.	15,595
Terasen Inc.	4,605
Transcanada Corp.	16,885
Teck Cominco Ltd.	15,757
Tundra Semiconductor Corp.	1,943
West Fraser Timber Co. Ltd.	4,946
WestJet Airlines Ltd.	5,954
	752,992
Investments under $1 million	804
Total Canadian Equities	**$ 753,796**
NON-NORTH AMERICAN EQUITIES	
Greystone EAFE Plus Fund	$ 125,273
Templeton Segregated Fund	67,816
	193,089
Investments under $1 million	14
Total Non-North American Equities	**$ 193,103**

SCHEDULE OF INVESTMENTS *(cont'd)*

	Fair Value ($ Thousands)
U.S. EQUITIES	
Greystone U.S. Mid Cap Growth Equity Pooled Fund	$ 78,496
Greystone Large Cap Growth Fund	71,982
Intech Enhanced Index Fund	82,516
Total U.S. Equities	**$ 232,994**
OTHER EQUITIES	
Adams Street Partnership Fund - 2003 U.S. Fund, L.P.	$ 3,206
CAI Capital Partners & Co. III	2,874
Greystone Capital Management Inc.	9,464
MDS Capital Corp.	5,292
Paul Capital Top Tier Investments II, L.P.	7,343
Richardson Financial Group	1,500
TD Capital Private Equity Investors (Canada) L.P.	12,231
Torquest Partners Value Fund, L.P.	11,594
Wembley Resources	1,043
	54,547
Investments under $1 million	5,174
Total Other Equities	**$ 59,721**
REAL ESTATE	
1166 Equities Inc.	$ 3,219
3100 Production Way Equities Inc.	5,752
410 & 7 Equities Inc.	3,693
Airways Equities Inc.	7,358

	Fair Value ($ Thousands)
REAL ESTATE *(cont'd)*	
Aset Properties Inc.	16,800
Big Bend Equities Inc.	1,428
Bridgeport Road Equities Inc.	3,826
Clarica Realty Fund	21,897
Colebrook Equities Inc.	5,982
Commerce Valley Equities Inc.	3,818
Cordova Equities Inc.	6,277
Eskimo Equities Inc.	2,257
Explorer Drive Equities Inc.	1,562
ICORP Properties Ltd.	8,298
IPSCO Land Development	1,665
KS Equities Inc.	7,093
Lougheed Equities Inc.	5,190
GPM Managed Investments	3,698
Pensionfund Realty Limited	88,694
Peregrine Equities Ltd.	1,719
Prairie Bramalea Equities Ltd.	17,116
Rodick Equities Inc.	1,251
Rutherford Properties Limited	2,505
Saskpen Properties Ltd.	1,403
Seven Oaks Equities Inc.	4,052
Skyview Equities Inc.	7,187
Summerlea Clark Road Inc.	11,930
Tilbury Island Equities Inc.	1,923
University Equities Inc.	4,565
Victoria Gate Equities Inc.	2,525
Westside Equities Inc.	1,284
	255,967
Investments under $1 million	2,664
Total Real Estate	**$ 258,631**

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Pat Isaak, *Acting Chair*
Glen Anderson
Terry Clifford
Raymond Desrochers
Henry Shyka

INVESTMENT COMMITTEE

Pat Isaak, *Acting Chair*
Ewald Boschmann, *Deputy Minister of Finance*
Henry Shyka, *Teacher Member*
Glen Anderson, *Teacher Observer*

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Pat Isaak, *Chair*
Henry Shyka
David Asselstine, *External Member*

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President & CEO

Dewar McKinnon,
Vice President, Finance & Operations

Brenda Venuto,
Vice President, Benefits Administration & Member Services

Les Brown,
Vice President, Information Services

Kristi Baily,
Associate Vice President, Communications

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AUDITOR

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